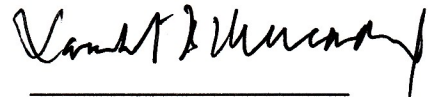


Certification

I, Atty. Lamberto B. Mercado, Jr., Compliance Officer of Metro Alliance Holdings & Equities Corporation, with SEC registration number 296 with principal office at 35th Flr. One Corporate Center, Dona Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Metro Alliance Holdings & Equities Corporation, I have caused this Third (3rd) Quarterly Report SEC Form 17-Q to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, Metro Alliance Holdings & Equities Corporation, will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hands this NOV 13 2020 day of _____, 2020.



Affiant

TIN: 136-012-428

SUBSCRIBED AND SWORN to before me this NOV 13 2020 day of _____, 2020.

PASIG CITY

NOTARY PUBLIC

Doc No. 19
Page No. 5
Book No. 15
Series of 2020

ATTY. FERDINAND D. AYAHAO
Notary Public
Until December 31, 2021
Appointment No. 184 (2020-2021)
For Pasig City, Pateros and San Juan City
Roll No. 46377; MCLE VI-0025705; 04-02-19
IBP LRN 02459; O.R. No. 535886; 06-21-2001
TIN 123-011-783; PTR 5242337; 01-08-20; Pasig
Unit 5 G/F West Tower PSE Bldg., Exchange Road
Ortigas Center, Pasig City Tel. +632-86314090

COVER SHEET

[illegible]

SEC Registration No.

SEC Registration No.																														
M	E	T	R	O		A	L	L	I	A	N	C	E		H	O	L	D	I	N	G	S		&						
E	Q	U	I	T	I	E	S		C	O	R	P	.		&		S	U	B	S	I	D	I	A	R	I	E	S		

(Company's Full Name)

[illegible]

C	E	N	T	E	R	,	D	O	Ñ	A		J	U	L	I	A		V	A	R	G	A	S		A	V	E	.	
---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	--

M	E	R	A	L	C	O		A	V	E.	,	O	R	T	I	G	A	S	,		P	A	S	I	G				
---	---	---	---	---	---	---	--	---	---	----	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	--	--	--	--

(Business Address : No. Street City / Town / Province)

Atty. Nestor S. Romulo

Contact Person

(632) 706-7888

Contact Telephone No.

1	2
---	---

3	1
---	---

Fiscal Year

		1	7	-	Q		
--	--	---	---	---	---	--	--

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

--	--	--

Dept. Requiring this Doc.

Amended Articles Number/Section

794

Total No. of Stockholders

Total Amount of Borrowings

Total Amount

Domestic

Drawings

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

LCU

[illegible]

Document I.D.

Cashier

STAMPS

STAMPS

Remarks = pls. use black ink for scanning purposes

3rd Quarter Report: MAH

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 11
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the quarterly period ended ...September 30, 2020
2. Commission identification number...296
3. BIR Tax Identification No.....000-130-411-000.
4. Metro Alliance Holdings & Equities Corp.
Exact name of issuer as specified in its charter
5. Metro, Manila Philippines
Province, country or other jurisdiction of incorporation or organization
6. (SEC use Only)
Industry Classification Code:
7. 35/F One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig
Address of issuer's principal office
8. (632) 8706-7888
Issuer's telephone number, including area code
9. Not applicable
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Class A	183,673,470
Common Class B	122,448,979
Outstanding Debt	₱ 569,259,829

11. Are any or all of the securities listed on a Stock Exchange?

Yes [☒] No [☐]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippines Stock Exchange

Common Class A and Class B

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [✓] No []

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes [✓] No []

13. Aggregate market value of the voting stock held by non-affiliates: **Php161,152,569**

14. Not applicable

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached Consolidated Balance Sheets, Income Statements, Changes in Stockholders' Equity, Cash Flows and Notes to Interim Consolidated Financial Statements (Annex A.1 to 5).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

☐ Unaudited Income Statement

Income Statement	Amounts in Php			
	Jul. – Sep. 2020	Jul. – Sep. 2019	Jan. – Sep. 2020	Jan. – Sep. 2019
Sales and services	₱61,326,698	₱97,467,171	₱200,709,467	₱243,350,011
Cost of sales and services	(51,970,455)	(74,647,449)	(170,372,359)	(191,701,041)
Gross profit	9,356,243	22,819,722	30,337,108	51,648,970
Expenses	(6,810,178)	(8,085,477)	(21,894,493)	(23,895,311)
Other income	164,927	34,154	1,154,016	404,036
Net Income Before Tax	2,710,992	14,768,399	9,596,631	28,157,695
Income tax expense	-	-	-	(4,401,792)
Net income	2,710,992	14,768,399	9,596,631	23,755,903
Attributable to:				
Equity Holders of the Parent Company	1,253,749	7,308,328	4,118,313	11,337,096
Non-controlling interest	1,457,243	7,460,071	5,478,318	12,418,807
	2,710,992	14,768,399	9,596,631	23,755,903
Earnings Per Share – Equity Holders Of the Parent Company	₱0.0041	₱0.0239	₱0.0135	₱0.0370

☐ Unaudited Balance Sheet

Balance Sheet	Amounts in Php		
	Sep. 30, 2020	Sep. 30, 2019	Dec. 31, 2019
Current assets	₱242,021,586	₱216,906,148	₱200,345,514
Noncurrent assets	479,997,730	409,876,632	482,880,770
Total Assets	722,019,316	626,782,780	683,226,284
Current liabilities	388,426,892	343,120,881	359,230,490
Noncurrent liabilities	180,832,937	129,712,528	180,832,937
Total Liabilities	569,259,829	472,833,409	540,063,427
Stockholder's Equity	152,759,487	153,949,371	143,162,857
Total Liabilities and Stockholder's Equity	₱722,019,316	₱626,782,780	₱683,226,284

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. Due to uncertainties surrounding the acquisition transactions of the Bataan petrochemical plant, the scope of the 2007-2013 audits was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

The Group will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

a) Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

Metro Alliance's key performance indicators include the following:

1. Net income
2. Earnings per share – net income attributable to each share of common stock (net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders (net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors (total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company (total debt / equity)

The financial ratios of Metro Alliance are not stable due to its significant investment on the Petrochemical Project.

Metro Alliance (Parent Company) financial statements registered unaudited net loss of ₱1,565,558 for the 3rd quarter of 2020 as compared to the same quarter of 2019 with net loss amounting to ₱1,570,313 or a decrease in net loss of ₱4,755 or 0.30%

Comparative analysis of Metro Alliance's key performance indicators is as follows:

Performance indicator	Sep-30	
	2020	2019
Net Income / (Loss)	(₱1,565,558)	(₱1,570,313)
Income / (Loss) per share	(0.005)	(0.005)
Income / (Loss) on average equity	(0.011)	(0.011)
Debt to total assets	0.454	0.449
Debt to equity	0.830	0.815

MCLSI

MCLSI's key performance indicators include the following:

1. Profitability
 - a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services (gross profit / revenues)
 - b. Net profit margin – ability to generate surplus for stockholders (net income / sales)
 - c. Return on assets – ability to generate returns from assets (net income / assets)
 - d. Return on equity – ability to generate returns on investment of stockholders (net income / stockholders equity)
2. Liquidity ratios
 - a. Current ratio – capacity to meet current obligations out of its liquid assets (current assets/current liabilities)
 - b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables (net credit sales / average trade receivables) (365 days / receivables turnover)

The decrease in MCLSI's gross profit resulted mainly from the termination of some contracts. With the decrease in operating income, net profit margin, return on assets and return on equity decreased. Current ratio decreased due to the increase in accruals and other payables. In addition, turnover of receivables resulted to a slower collections compared to last year.

Comparative analysis of MCLSI's key performance indicators on September 30 are as follows:

Performance indicator	2020	2019
<u>Profitability</u>		
a. Gross profit margin	0.151	0.212
b. Net profit margin	0.056	0.104
c. Return on assets	0.038	0.131
d. Return on equity	0.116	0.271
<u>Liquidity</u>		
a. Current ratio	1.716	1.800
b. Receivables turnover	1.021	2.340
c. Days' sales in receivables	357.547	156.012

Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc.(FEZ-EAC), Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies.

b) Changes in Operating Results

Net Income and Earnings Per Share

The Group registered a consolidated net income of ₱2.7 million for the 3rd quarter of 2020 as against net income of ₱14.8 million for the 3rd quarter of 2019 or a decrease of ₱12.1 million or 81.92% due to lower sales recorded and higher incurred expense for the quarter 2020 due to COVID19 pandemic. Income per share attributable to equity holders of Parent Company are ₱0.0041 for the 3rd quarter of 2020 and ₱0.0135 for 2019. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱61.3 million and ₱97.5 million for the quarters ended September 30, 2020 and 2019, which decrease the revenue by ₱36.2 million or 37.13%.

Cost of Sales and Services

Total cost of sales and services for the quarters ended September 30, 2020 and 2019 amounted to ₱52.0 million and ₱74.6 million, respectively, with a decrease in cost of sales by ₱22.6 million or 30.29%.

Operating Expenses

Total operating expenses of the Group for the 3rd quarter of 2020 amounted to ₱6.8 million as compared to ₱8.1 million for the 3rd quarter of 2019 or a decrease of ₱1.3 million or 16.05%.

Other income

Other income for the quarters ended September 30, 2020 and 2019 amounted to ₱0.2 million and ₱0.03 million, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

c) Changes in Financial Conditions

Assets

Cash and cash equivalents for the 3rd quarter of 2020 and 2019 amounted to ₱30.8 million and ₱34.5 million, respectively. Net cash flows used in operating activities is ₱5.9 million, net cash flows provided from investing activities is ₱4.0 million and net cash flows used from financing activities is ₱0.3 million.

Receivables amounted to ₱184.6 million as of 3rd quarter of 2020 and ₱160.4 million as of 3rd quarter of 2019 (net of allowance for doubtful accounts). Movement in the accounts is due to increase in trade receivable by ₱25.0 million and (b) increase in other receivable by ₱0.2 million and (c) increase in allowance for doubtful accounts by ₱0.9 million.

Other current assets amounted to ₱26.7 million and ₱22 million as of the 3rd quarter of 2020 and 2019 (net of allowance for probable losses of ₱12.9 million). The increase by ₱4.7 million in 3rd quarter of 2020 as against the 3rd quarter of 2019 is net effect of increase in input taxes by ₱1.3 million and other prepayments by ₱3.4 million.

Asset held for sale amounting to ₱363.9 million and ₱366.9 million as of September 30, 2020 and 2019, respectively, which represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱21.2 million and ₱22.6 million in September 30, 2020 and 2019, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017, the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

Investment in Debt Security

During 2019, the Company invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021. Carrying amount of the bond investment on September 30, 2020 amounted to ₱2,041,795. Management considers the carrying amount recognized in the statements of financial position to be reasonable approximation of their fair values.

Property and equipment amounted to ₱80.0 million and ₱8.5 million in September 30, 2020 and 2019, respectively. Net increase in property, plant and equipment by ₱71.5 million pertains mainly to the new reportable PFRS 16 item, the Right-Of Use Asset, with ₱106.3 million amount and depreciation expense of ₱32.8 million. The Group has no outstanding contractual commitments to acquire certain property and equipment as of September 30, 2020 and 2019, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

Other non-current assets for the 3rd quarters 2020 and 2019 amounted to ₱7.4 million and ₱5.2 million, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and non-current portion of refundable deposits.

Liabilities

The Accounts payable and accrued expenses – current portion for the quarter ended September 30, 2020 and 2019 amounted to ₱304.1 million and ₱284.9 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee, reserve for contingency BIR and accrued interest – Unimark (Note 17).

Lease Liability relates to liability recognized in relation to the adoption of PFRS 16. As of September 30, 2020, the Company's determined incremental rate used is 5%. For the 3rd quarter 2020 and 2019, current lease liability amounted to ₱25.5 million and nil, respectively and as to the noncurrent portion amounted to ₱49.6 million and nil, respectively.

The *Due to related parties* for the 3rd quarter of 2020 and 2019 amounted to ₱58.9 million and ₱58.3 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties.

Accrued retirement benefit cost amounted to ₱7.8 million and ₱6.3 million as of September 30, 2020 and 2019, respectively. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2019 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

Summary of Material Trends, Events and Uncertainties

The accompanying consolidated financial statements have been prepared assuming that Group Company will continue as a going concern.

As of September 30, 2020 and 2019, the Group has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱363.9 million and ₱366.9 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company's advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions. The remaining 20% of Polymax's interest in the petrochemical plant is for sale. The realization of the Parent Company's advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management's plan is to infuse additional capital to address the going concern uncertainty.

Legal Cases

Below is the list of legal matters of the Group as of September 30, 2020, which are fully disclosed in Note 28.

- a) Metro Alliance vs. Commissioner of Internal Revenue - Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991
- b) Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18 - Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages
- c) MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513 - Civil Action with Damages to Nullify the Foreclosure of Property
- d) MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159 - Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction
- e) There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

Events that will Trigger Direct Contingent or Financial Obligation

There are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation during the reporting period.

Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

Commitment for Capital Expenditures

The Group has no commitment for capital expenditures.

Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)

Since MCLSI is the only operating subsidiary among the Group, sales rely solely on MCLSI's results of operations.

The Group registered a consolidated net income of ₱2.7 million for the 3rd quarter of 2020 as against net income of ₱14.8 million for the 3rd quarter of 2019 or a decrease of ₱12.1 million or 81.92% due to lower sales recorded and higher incurred expense for the quarter due to COVID19 pandemic. Income per share attributable to equity holders of Parent Company are ₱0.0041 for the 3rd quarter of 2020 and ₱0.0135 for 2019. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

The Group registered gross service revenue of ₱61.3 million and ₱97.5 million for the quarters ended September 30, 2020 and 2019, which decrease the revenue by ₱36.2 million or 37.13%.

Significant Element of Income or Loss That Did Not Arise from Continuing Operations

There is no significant element of income or loss that did not arise from continuing operations.

Material Changes on Line Items in the Financial Statements

Material changes on line items in the financial statements are presented under the captions “Changes in Financial Condition” and “Changes in Operating Results” above.

The Group adopted PFRS 16 on the year 2019 which reported a Right-of-Use Asset and Lease Liability (Note15 and 18).

Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation

The financial condition or results of operations is not affected by any seasonal change.

PART II – OTHER INFORMATION

(1) Market Information

The principal market of Metro Alliance Holdings & Equities Corp.'s common equity is the Philippine Stock Exchange (PSE) where it was listed 1947. The high and low sales prices by quarter for the last three (3) years are as follows:

		Class A		Class B	
		High	Low	High	Low
2020	First Quarter	3.30	0.95	3.30	0.95
	Second Quarter	3.19	1.36	3.19	1.36
	Third Quarter	2.37	1.40	2.37	1.40
2019	First Quarter	2.88	1.67	2.88	1.67
	Second Quarter	1.94	1.44	1.94	1.44
	Third Quarter	1.69	1.02	1.69	1.02
	Fourth Quarter	1.15	0.98	1.15	0.98
2018	First Quarter	-	-	-	-
	Second Quarter	2.72	2.53	2.87	2.50
	Third Quarter	2.78	1.36	2.78	1.36
	Fourth Quarter	2.46	0.92	2.46	0.92
2017	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-

The high, low and close market prices are ₱1.98, ₱1.91, ₱1.94 as of November 11, 2020.

(2) Holders

There are 306,122,449 shares outstanding: 183,673,470 shares are Class "A" and 122,448,979 shares are Class "B". As of September 30, there are 611 holders of Class "A" shares and 390 holders of Class "B" shares.

List of Top 20 Stockholders As of September 30, 2020

	Stockholder's Name	Number of Shares		Percentage
		Class A	Class B	Total
1	PCD NOMINEE CORPORATION (FILIPINO)	43,067,501	30,594,833	24.063
2	CRESTON GLOBAL LIMITED		56,378,388	18.417
3	CHESA HOLDINGS INC.	40,500,000		13.230
4	PACIFIC WIDE REALTY & DEVELOPMENT CORP.	31,498,000		10.289
5	FORUM HOLDINGS CORPORATION	14,442,356	13,432,644	9.106
6	PACIFIC CONCORDE CORPORATION	6,329,500	9,503,908	5.172
7	REXLON REALTY GROUP, INC.	12,200,000	2,673,112	4.859
8	CHARTERED COMMODITIES CORP.	11,296,000		3.690
9	MIZPAH HOLDINGS, INC.	10,128,700		3.309
10	WILLIAM GATCHALIAN	2,091,000	1,481,500	1.167
11	PACIFIC REHOUSE CORP.	1,258,000	1,670,000	0.956
12	FORUM HOLDINGS CORPORATION	1,934,500		0.632
13	PCD NOMINEE CORPORATION (NON-FILIPINO)		1,598,911	0.522
14	TIN FU OR TRAJANO		820,000	0.268
15	CTBC TA# 5-C184: ZUELLIG CORP.	684,829		0.224
16	VICTOR GAN SY	400,000	200,000	0.196
17	W. DUMERMUTH	472,600		0.154
18	VICTOR G. SY	178,000	290,000	0.153
19	AB CAPITAL & INVESTMENT CORPORATION	162,000	268,000	0.140
20	MARY ANGUS BROWN	309,910		0.101

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Php)

“Annex A.1”

	30-Sep-20 Unaudited	30-Sep-19 Unaudited	31-Dec-19 Audited
ASSETS			
Current Assets			
Cash (Note 9)	₱30,784,396	₱34,498,694	₱32,982,656
Receivables – net (Note 10)	184,574,151	160,404,441	148,312,443
Other current assets (Note 11)	26,663,039	22,003,013	19,050,415
Total Current Assets	242,021,586	216,906,148	200,345,514
Noncurrent Assets			
Assets held for sale (Note 12)	363,931,556	366,881,451	366,185,828
Equity instrument at FVOCI (Note 13)	21,209,285	24,646,285	21,209,285
Investment in Deby Security (Note 14)	2,041,795	-	2,038,632
Property and equipment – net (Note 15)	79,988,458	8,523,326	81,584,128
Deferred tax assets – net	5,410,936	4,615,833	5,410,936
Other noncurrent assets (Note 16)	7,415,700	5,209,737	6,451,961
Total Noncurrent Assets	479,997,730	409,876,632	482,880,770
TOTAL ASSETS	722,019,316	626,782,780	683,226,284
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 17)	304,113,456	284,861,669	274,619,489
Lease Liability	25,452,455	-	25,452,454
Due to related parties (Note 19)	58,860,981	58,259,212	59,158,547
Total Current Liabilities	388,426,892	343,120,881	359,230,490
Noncurrent Liabilities			
Non-current portion of accrued liability	123,438,803	123,438,803	123,438,803
Accrued retirement benefit costs	7,760,977	6,273,725	49,633,157
Deferred tax liability	49,633,157	-	7,760,977
Total Noncurrent Liabilities	180,832,937	129,712,528	180,832,937
Total Liabilities	569,259,829	472,833,409	540,063,427
Stockholders' Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock	306,122,449	306,122,449	306,122,449
Additional paid-in capital	3,571,923	3,571,923	3,571,923
Deficit	(210,751,854)	(209,006,203)	(214,870,166)
Remeasurement gain on retirement plan	4,204,357	4,104,719	4,204,357
Fair value reserve	4,938,322	6,375,322	4,938,322
	108,085,197	111,168,210	103,966,885
Non-controlling interests	44,674,290	42,781,161	39,195,972
Total Stockholders' Equity	152,759,487	153,949,371	143,162,857
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱722,019,316	₱626,782,780	₱683,226,284
<i>(The accompanying notes are integral part of these financial statements)</i>			

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Php)

“Annex A.2”

	Unaudited Jul. – Sep. 2020	Unaudited Jul. – Sep. 2019	Unaudited Jan. – Sep. 2020	Unaudited Jan. – Sep. 2019
NET SALES				
Services	₱61,326,698	₱97,467,171	₱200,709,467	₱243,350,011
COST OF SERVICES (Note 21)	(51,970,455)	(74,647,449)	(170,372,359)	(191,701,041)
GROSS PROFIT	9,356,243	22,819,722	30,337,108	51,648,970
Expenses (Note 22)	(6,810,178)	(8,085,477)	(21,894,493)	(23,895,311)
Other income	164,927	34,154	1,154,016	404,036
INCOME BEFORE INCOME TAX	2,710,992	14,768,399	9,596,631	28,157,695
INCOME TAX EXPENSE	-	-	-	(4,401,792)
NET INCOME	2,710,992	14,768,399	9,596,631	23,755,903
Net income attributable to:				
Equity holders of the parent company	1,253,749	7,308,328	4,118,313	11,337,096
Minority interests	1,457,243	7,460,071	5,478,318	12,418,807
	2,710,992	14,768,399	9,596,631	23,755,903
Basic/Diluted Income Per Share				
Net loss for the year attributable to the Equity holders of the Parent Company*	₱0.0041	₱0.0239	₱0.0135	₱0.0370

**Based on the weighted average number of shares of 306,122,449
(The accompanying notes are integral part of these financial statements)*

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
“Annex A.4”
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Jan - Sep 2020	Jan - Sep 2019
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock - ₱1 par value	₱306,122,449	₱306,122,449
Common shares		
Class “A”		
Authorized - 720,000,000 shares		
Issued and outstanding - 183,673,470 shares		
Class “B”		
Authorized - 480,000,000 shares		
Issued and outstanding - 122,449,979		
Additional Paid-in Capital	3,571,923	3,571,923
Deficit		
Balance at beginning of the year	(214,870,166)	(214,870,166)
Adjustment to beginning balance of retained earnings	-	-
Net income	4,118,312	5,631,210
Balance at end of the period	(210,751,854)	(209,238,956)
Other Reserves:		
Revaluation reserve on available-for-sale financial assets	4,938,322	4,938,322
Remeasurement Gain (Loss) on Retirement Plan	4,204,357	4,204,357
	9,142,679	9,142,679
EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY	108,085,197	109,598,095
MINORITY INTERESTS	44,674,290	45,288,344
TOTAL STOCKHOLDERS' EQUITY	₱152,759,487	₱154,886,439

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

“Annex A.3”

For the Period ended September 30,	Unaudited 2020	Unaudited 2019
CASH FROM OPERATING ACTIVITIES		
Income before income tax	₱9,596,631	₱28,157,695
Adjustments for:		
Prior period adjustment	-	-
Change in minority interest	-	-
Depreciation and amortization	2,995,013	2,582,163
Interest income	(156,116)	(91,947)
Operating income (loss) before working capital changes:	12,435,528	30,647,911
Decrease (increase) in receivables	(36,261,708)	(28,567,534)
Decrease (increase) in prepaid expense and other current	(10,607,637)	383,212
Decrease (increase) in other non current	(963,739)	(642,500)
Increase (decrease) in accounts payable and accrued expense	29,493,967	(3,649,450)
Income tax paid	-	(4,401,792)
Net cash flows provided (used in) operating activities	(5,903,589)	(6,230,153)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	156,116	91,947
Collection from asset held for sale	2,254,272	1,938,487
Acquisition of property and equipment	1,595,670	(1,802,440)
Acquisition of equity investments	(3,163)	(2,000,000)
Net cash flows provided by (used in) investing activities	4,002,895	(1,772,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payment of):		
Dividends paid	-	-
Advances from/(to) related parties	(297,566)	(692,356)
Payment of retirement benefit	-	-
Net cash flows provided by (used in) financing activities	(297,566)	(692,356)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,198,260)	(8,694,515)
CASH AND CASH EQUIVALENTS – BEGINNING	32,982,656	43,193,209
CASH AND CASH EQUIVALENTS – END	₱30,784,396	₱34,498,694

(The accompanying notes are integral part of these financial statements)

1. CORPORATE INFORMATION

Metro Alliance Holdings and Equities Corporation (MAHEC or the Parent Company), is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Group”) are involved in contract logistics. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management have ceased operations.

The new registered office address of the Parent Company is at 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

In 2015, the SEC approved the amendment made to Article III of the Group’s Articles of Incorporation in regard to the change of Company’s official business address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

A regular meeting of the stockholders of Metro Alliance Holdings & Equities Corp. was held on November 16, 2018 for the purpose of, among other purposes, securing the consent of the stockholders for the amendment of the Articles of Incorporation, specifically, Article Ninth to declassify common shares class A and B shares resulting to one common shares and also Article Sixth to increase the number of directors from seven to nine. These amendments were approved by the stockholders and/or their represented proxy during said the meeting and was filed to SEC last May 8, 2019. As of September 30, 2020, the amendment is pending for SEC approval.

2. STATUS OF OPERATION

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group Company will continue as a going concern.

The Group and Polymax Worldwide Limited (Polymax), its special purpose entity incorporated in British Virgin Island entered into a series of acquisition transactions (see details below) to acquire ownership of the petrochemical plant of NPC Alliance Corp. (NPCA), which resulted in a 2006 disputed sale of Polymax’s 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax’s 60% interest in the petrochemical plant.

Management Plan to Address Going Concern Uncertainties

The Group still holds 20% interest in NPC Alliance Corporation (NPCAC) as of September 30, 2020. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Recently, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. As a consequence, thereof, and in order to protect our interest, we have filed legal suits against our partners in NPCAC in order to establish full accountability. Among the other options we have presented to our Iranian partners is to consider the take-over of the plant by MAHEC/Polymax together with its potential Chinese partner. The proposal of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

MAHEC’s remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. MCLSI is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Actions of the Group

The Group has remained steadfast to regain its status as a going concern. In line with this, several actions were taken to conserve the Group's resources and build confidence for its business direction:

- a) Commitment by the majority shareholders of the Group to guaranty the recoverable value of the remaining "assets for sale" in its books in order that the Group's equity be preserved;
- b) Pressing the majority shareholders of NPCA to write down the obligation of NPCA to its principal shareholders to pave the way for restructured financial statements;
- c) Increasing the number of Board Directors from 7 to 9 in order to pave the way for a broader representation of stakeholders;
- d) Removing the "A" and "B" classification of the Group shares to integrate common shares into just one class.
- e) Working out a stock rights offer for take advantage of unissued shares from our authorized capital stock.

After the conduct of stock right offering, the Group will pursue its pending application with the SEC to increase its authorized capital stock to ₱5 billion, in order to meet its projected investments. In sum, the Group is expected to satisfy its cash requirements to finance its projected plans and investments in new ventures throughout the calendar year 2020.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php 364,656,836 as of September 30, 2020

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. For example, in order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the Group the direct shareholders of NPCA.

Manpower Requirements

The Group does not expect significant changes in the number of employees as it is still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

The Group will make purchases of equipment and machines in the future if needed especially when investment in mining industry will materialize.

Acquisition Transactions

On December 4, 2003, the Parent Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Parent Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Parent Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Parent Company; (b) the funding for the acquisition would be provided and arranged by the Parent Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Parent Company advanced to Polymax the initial deposit of US\$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7million, consisting of the outstanding principal balance of ₱378.3million and finance charges of ₱488.4million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax.

Pursuant to the Parent Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Parent Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI), with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met. On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85million.

On July 20, 2005, the Parent Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPCA from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8million shares of common stock of NPCA with a total par value of ₱4.8billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US\$85million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Parent Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US\$15 million representing an advance payment which may be used to fund the bona fide third-party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third-party cost or expenses, taxes or duties as agreed between Polymax and NPCI. On the same date, the Parent Company, NPCI and PIIC entered into a Guarantee and Indemnity agreement whereby the Parent Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities, which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Parent Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Parent Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the "Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement" entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon. On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Parent Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless, NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Parent Company and Polymax, who considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII, respectively, as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC. Subsequently on August 27, 2013, the Parent Company and Polymax entered into a settlement agreement with NPCI, PIIC and NAC to resolve, fully and finally, the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NPCI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution of the agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NPCI and the 20% interest of Polymax in NPCA was sold to NPCI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

3. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) approved by the Philippine Financial Reporting Standards Council (PFRSC) and the SEC.

Statement of Preparation

The consolidated financial statements have been prepared on the accrual basis using historical cost basis, except for equity instruments financial assets that are measured at fair value.

Functional and presentation currency

The consolidated financial statements are prepared in Philippine Peso (₱), which is the Group's functional and presentation currency. All values are rounded off to the nearest Peso, unless otherwise indicated.

Use of judgments and estimates

The preparation of consolidated financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in Note 5.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries:

	Percentage of Ownership	
	2019	2018
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

A subsidiary is an entity in which the Parent Company has control. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

Non-controlling Interests

Non-controlling interests represent the interests in subsidiaries which are not owned, directly or indirectly through subsidiaries, by the Parent Company. If losses applicable to the non-controlling interest in a consolidated subsidiary exceed the non-controlling interest's equity in the subsidiary, the excess, and any further losses applicable to non-controlling interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good of the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the interest's share of losses previously absorbed by the majority interest has been recovered.

Adoption of new and revised accounting standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' consolidated statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

The Group has initially adopted all the requirements of PFRS 16 Leases from January 1, 2019.

PFRS 16 introduced a single, on-balance sheet accounting model for lessees. The adoption of this new Standard has resulted the Group, as a lessee, in recognizing right-of-use asset, representing its rights to use the underlying asset, and lease liability, representing its obligation to make lease payments, from the date of initial application. Lessor accounting remains similar to previous accounting policies.

Effect on the opening balance

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting PFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For the purpose of applying the modified retrospective approach, the Group elects to:

- measure the lease liability at the present value of lease payments based on the lessee's incremental borrowing rate over the remaining lease term at the initial application of the contract;
- measure the right-of-use asset retrospectively using the incremental borrowing rate at the initial application, adjusted by depreciation charge computed over the lease term;
- apply the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics;
- apply the practical expedient to exclude initial direct costs from the right-of-use asset;
- apply the practical expedient to use hindsight when assessing the lease term;
- apply the practical expedient to rely on its assessment that the lease was onerous under PAS 37 and therefore adjust the right-of-use asset at the date of initial application by the onerous lease provision rather than conduct an impairment test; and
- apply the practical expedient not to recognize a right-of-use asset or lease liability to leases for which the lease term ends within 12 months from the date of initial application.

Transition

For any new contracts entered on or after January 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- a) the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b) the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c) the Group has the *right to direct the use* of the identified asset throughout the period of use.

As a lessee

The Group entered into lease agreements with various companies for lease of office premises and warehouses.

As a lessee, the Group previously adopted PAS 17 wherein leases were classified as operating, or finance lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under PFRS 16, the Group recognizes right-of-use assets and lease liabilities for its leases.

On the consolidated statements of financial position, right-of-use assets have been included in property and equipment amounting to ₱106,304,776, while the accumulated depreciation amounted to ₱32,798,271 (Note 15) as of September 30, 2020. The carrying amount of lease liability on the consolidated statements of financial amounted to ₱75,085,611 (Note 18) as of September, 2020.

- Amendments to PFRS 9, *Financial Instruments* - Prepayment Features with Negative Compensation – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

The Group has adopted all the requirements of PFRS 9 except for hedge accounting.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures* - Long-term Interests in Associates and Joint Ventures – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments*.

PAS 28 has no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits* - Plan Amendment, Curtailment or Settlement – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

Amendments to PAS 19 have no impact on the consolidated financial statements of the Group.

- IFRIC 9, *Prepayment Features with Negative Compensation (Amendments)* - The standard amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Amendments to IFRIC 9 have no impact on the consolidated financial statements of the Group.

- IFRIC 23, *Uncertainty over Income Tax Treatments (New)* - The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12. It specifically considers:
 - Whether tax treatments should be considered collectively
 - Assumptions for taxation authorities' examinations

- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

IFRIC 23 has no impact on the consolidated financial statements of the Group.

New and amended PFRS issued but not yet effective

Relevant new and amended PFRS which are not yet effective for the period ended December 31, 2019 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2021:

IFRIC 17 Insurance Contracts - requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

IFRIC 17 has no significant impact on the consolidated financial statements of the Group.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- Cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented unless otherwise stated.

Financial assets and financial liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as

either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As of September 30, 2020 and 2019, the Group's cash, trade and other receivables, refundable deposits and investment in debt securities are included under this category.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As of September 30, 2020 and 2019, the Group's equity investments at FVOCI are included under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As of September 30, 2020 and 2019, the Group's accounts payable and accrued expenses and due to related parties are included under this category.

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of financial assets at amortized cost and FVOCI

The Group records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For loan receivables, the Group has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of financial assets and liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Cash

Cash includes cash funds, undeposited cash collections and customers' checks. Cash funds are set aside for current purposes such as petty cash fund. Cash in banks include demand deposits which are unrestricted as to withdrawal.

Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate.

The Group recognized cash as current asset when it is not restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Trade and other receivables, net

Trade and other receivables are amounts due from clients for services performed in the ordinary course of business, if collection is expected in one year or less (or in the normal operating cycle of the business longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

Impairment is considered when there is objective evidence that the Group will not be able to collect the debts.

Other current assets, net

Other assets are recognized when the Group expects to receive future economic benefit from the other party, and the amount can be measured reliably. Other assets are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

Asset held for sale

An asset is classified as asset held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization of property and equipment commences once the fixed assets are available for use and is calculated on a straight-line basis over the following estimated useful lives:

	Number of Years
Leasehold improvements	5 years or lease term, whichever is shorter
Machinery and equipment	5
Office furniture, fixtures and equipment	3 to 5
Right-of-use asset	2 to 5

Depreciation is computed on the straight-line basis over the estimated useful lives of the depreciable assets. Further, amortization of right-of-use assets is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives being the lesser of the remaining lease term and the life of the asset.

The remaining useful lives, residual values and depreciation and amortization method are reviewed periodically to ensure that the periods, estimated residual values and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

When an asset is sold or retired, its cost and related accumulated depreciation and amortization and any impairment in value are eliminated from the accounts. Any gain or loss resulting from its disposal is credited to or charged against current operations.

Investment in subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the Group. The Group has control over an entity if it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investment in subsidiary in the Group's consolidated financial statements is carried at cost, less any impairment in the value of the individual investment.

Intangible assets

Intangible assets pertaining to software license costs that are acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated

amortization and impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which do not exceed three years.

The remaining useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial asset

The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Accounts payable and accrued expenses

Accounts payable and accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced, or formally agreed with supplier including amounts due to employees. It is necessary to estimate the amount of accruals; however, the uncertainty is generally much less than for provision.

Equity

Share capital

Share capital is determined using the nominal value of shares that have been issued.

Additional paid-in capital

Additional paid-in capital includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net

Retained earnings (deficit)

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has debit balance, it is called "deficit", and presented as a deduction from equity of tax, from the proceeds.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, duties and sales taxes. Revenue includes only the gross inflow of the economic benefits received and receivable by the Company on its own account. Amounts collected on behalf of third parties, such as reimbursable transactions are not economic benefits to the Company and do not result in increase in equity; therefore, they are excluded from revenue.

- Logistics and other services is recognized when the related services are rendered.
- Dividend income is recognized when the right to receive the payment is established.
- Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.
- Other income is recognized when earned.

Cost and expenses

Costs and expenses are decreases in economic benefits during the year in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity other than those relating to distribution to equity participants. Costs and general and administrative expenses and interest expense are recognized in consolidated statements of comprehensive income in the period these are incurred.

- *Cost of services* - include direct material costs, personnel expenses, depreciation, utilities and other service-related costs. These are recognized when the services are used or the expenses are incurred.
- *General and administrative expenses* - Expenses incurred in the direction and general administration of day-to-day operation of the Company are generally recognized when the services are used or the expenses incurred.

Leases

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether the contract meets three key evaluations which are whether:

- a) the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b) the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c) the Group has the *right to direct the use* of the identified asset throughout the period of use.

The Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a lessor

Lease payment received is recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

As a lessee

The Group recognizes right-of-use assets and lease liabilities for its leases.

(a) Right-of-use asset

At the initial application date, the Group recognizes a right-of-use asset on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

(b) Lease liability

At the initial application date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Retirement benefits cost

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognized in the consolidated statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statements of comprehensive income.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The cumulative gains or losses arising from the remeasurements are now shown as a separate line item in the consolidated statements of financial position as "remeasurement loss on retirement benefits obligation".

The Group provides for estimated retirement benefits to be paid under Republic Act (RA) No. 7641 to its permanent employee. The amount of retirement benefits is dependent on such factors as years of service and compensation.

Foreign currency transactions and translations

Transactions denominated in foreign currency are recorded in Philippine peso using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in

foreign currencies are translated to Philippine peso using the prevailing exchange rate at balance sheet date. Foreign exchange gains or losses arising from the translation at balance sheet date or settlement of monetary items at rates different from those at which they were initially recorded are credited to or charged against current operations.

Income tax

Income tax for the year comprises current and deferred income tax. Income tax is recognized in the Group's consolidated statements of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authority. The tax rates and tax laws used to compute the current tax are those that are enacted and substantively enacted as of balance sheet date.

Deferred tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of asset and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefit of the net operating loss carryover (NOLCO). The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward benefit of unused NOLCO can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of outstanding shares. The Group has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statements of comprehensive income.

Segments

The Group's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets. Financial information on business segments are presented in Note 6.

Provisions

Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a Group asset but only when the receipt of the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the Group consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets

are not recognized in the Group consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the reporting date

Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the Group's consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the Group consolidated financial statements when material.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of SPE

An entity is considered a SPE and included in consolidation even in cases when the Group owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. While the Group has no ownership interest in Polymax, this SPE was included in the 2006 consolidated financial statements and prior years. However, starting in 2007, the SPE was no longer consolidated because it had ceased operating as a going concern.

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 28. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimating Allowance for Probable Losses

The Group reviews the carrying amounts of receivables, creditable withholding and input taxes (under other current assets) and advances to Polymax (under asset held for sale) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

Receivables (net of allowance for doubtful accounts of ₱149,004,715 and ₱148,129,986 as of September 30, 2020 and 2019, respectively) amounted to ₱184,574,151 and ₱160,404,441 as of September 30, 2020 and 2019, respectively (Note 10).

The carrying amount of other current assets amounted to ₱26,663,039 and ₱22,003,013 as of September 30, 2020 and 2019, respectively as discussed in Note 11.

In 2020 and 2019, impairment loss, mainly pertaining to creditable withholding and input taxes, amounted to ₱12,886,123 for both years as shown also in Note 11.

Advances to Polymax (under asset held for sale) amounting to ₱363,931,556 and ₱366,881,451 as of September 30, 2020 and 2019, respectively, constitute 50.40% and 58.53% of the Group's total assets at the quarter period 2020 and 2019, respectively. The realization of the Group's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Group is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA and from the letter of comfort issued by the Group's major stockholders in favor of the Group, as discussed in Note 12.

Estimating Useful Lives and Residual Values of Property and Equipment and Intangible Assets

The Group estimates the useful lives and residual values of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase depreciation and amortization expenses, while an increase in the estimated useful lives would decrease depreciation and amortization expenses.

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in September 30, 2020 and 2019.

Evaluation of Impairment of Noncurrent Non-Financial Assets

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of September 30, 2020 and 2019. As of September 30, 2020 and 2019, property and equipment, net of accumulated depreciation and amortization, amounted to ₱79,988,458 and ₱8,523,326, respectively and total depreciation and amortization charged to operations amounted to ₱2,581,565 and ₱2,209,994, respectively, for 3rd quarter 2020 and 2019 (Note 15).

Fair value of financial assets and liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted market prices and interest rates). In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. Any change in fair value of these financial assets and liabilities would affect profit or loss and equity. The fair value of financial assets and liabilities are enumerated in Note 8.

Impairment of equity investments

The Group treats equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as a decline of 20% or more below of the original cost of the investment, and "prolonged" as period longer than 12 months. In addition, the Group evaluates other factors for equity investments with no quoted bid prices such as changes in the issuer's industry and sector performances, legal and regulatory framework, technology, and other factors that affect the recoverability of the investments.

Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The recognized net deferred tax assets amounted to ₱5,410,936 and ₱4,615,833 as of September 30, 2020 and 2019, respectively.

Incremental borrowing rate of lease liability

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate is determined by the Company on the commencement date of the lease. As a result, it incorporates the impact of significant economic events and other changes in circumstances arising between lease inception and commencement.

This incremental rate is used to measure the lease liability at the present value of lease payments that are not paid at the end of lease term. In 2019, the Company's determined incremental rates used to compute the carrying value of lease liability amounting to a total of ₱75,085,611 is ranging from 3% to 5% (Note 18).

Retirement Benefits

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 28 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, will generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

Accrued retirement benefits costs amounted to ₱7,760,977 and ₱6,273,725 as of September 30, 2020 and 2018, respectively.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of cash, equity investments, investment in debt securities, due from (to) related parties and long-term debt. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial assets and liabilities include receivables, refundable deposits and accounts payable and accrued expenses, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Board of Directors review and approve the policies for managing these risks which are summarized below:

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt. As of September 30, 2020 and 2019, the Group has minimal exposure to interest rate risk since the interest rates are fixed up to the date of maturity.

Credit Risk

It is the Group's policy to require all concerned related and/or third party to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. The Group deals only with legitimate parties. As to other financial assets of the Group like cash, the credit risk arises only in case of default of the counterparty and the maximum exposure is limited to the carrying amount of the instruments.

- a. Financial information on the Group's maximum exposure to credit risk as of September 30, 2020 and 2019, without considering the effects of collaterals and other risk mitigation techniques are presented below.

	2020	2019
Cash and cash equivalents	₱30,784,396	₱34,498,694
Receivables	184,574,151	160,404,441
Refundable deposits	10,992,898	8,951,216
	₱226,351,445	₱203,854,351

b. Credit quality per class of financial assets

Description of the credit quality grades used by the Group follows:

Financial assets - Equity investments

High grade - Counterparties that are consistently profitable, have strong fundamentals and pays out dividends.

Standard grade - Counterparties that recently turned profitable and have the potential of becoming a high-grade Group. These counterparties have sound fundamentals.

Substandard grade - Counterparties that are not yet profitable, speculative in nature but have the potential to turn around fundamentally.

Financial assets at amortized cost

High grade - High probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - Collections are probable due to the reputation and the financial ability of the counterparty to pay.

Substandard grade - The counterparty shows probability of impairment based on historical trends.

The tables below show credit quality by class of financial assets based on the Group's credit quality grades (gross of related allowance for credit losses).

The table below presents the credit quality of financial assets and an analysis of past due accounts.

	2020			Total
	Neither past due nor impaired		Past Due but not impaired	
	High Grade	Standard Grade		
Financial Assets at amortized cost				
Cash excluding cash on hand	₱30,578,396	₱-	₱-	₱30,578,396
Trade Receivables (gross)	-	143,965,406	-	143,965,406
Other Receivables (gross)	-	-	40,439,521	40,439,521
Investment in Debt Security	2,041,795	-	-	2,041,795
Refundable Deposit	10,992,898	-	-	10,992,898
Subtotal	43,613,089	143,965,406	40,439,521	228,018,015
Financial Assets at FVOCI	21,209,285	-	-	21,209,285
Total	₱64,822,374	₱143,965,406	₱40,439,521	₱249,227,300

	2019			Total
	Neither past due nor impaired		Past Due but not impaired	
	High Grade	Standard Grade		
Financial Assets at amortized cost				

Cash excluding cash on hand	₱34,324,046	₱-	₱-	₱34,324,046
Trade Receivables (gross)	-	118,937,142	-	118,937,142
Other Receivables (gross)	-	-	40,423,357	40,423,357
Investment in Debt Security	2,000,000	-	-	2,000,000
Refundable Deposit	8,951,217	-	-	8,951,217
Subtotal	45,275,263	118,937,142	40,423,357	204,635,762
Financial Assets at FVOCI	22,646,285	-	-	22,646,285
Total	₱67,921,548	₱118,937,142	₱40,423,357	₱227,282,047

The credit quality of receivables is managed by the Group using internal credit quality ratings. High and medium grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults.

The Group constantly monitors the receivables from these customers in order to identify any adverse changes in credit quality. The allowance for doubtful accounts is provided for those receivables that have been identified as individually impaired.

Liquidity Risk

The Group's objective is to maintain a balance between flexibility and continuity of funding. However, because of the default on the payment of interest and principal amortizations on existing debts, the Group's access to funds has been limited to those of its related parties in the form of advances. Current working capital requirements will continue to be sourced from short-term loans and advances from related parties.

The table below shows the maturity profile of the financial assets and liabilities, based on its internal methodology that manages liquidity based on contractual undiscounted cash flows:

	2020			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets at amortized cost				
Cash excluding cash on hand	₱30,578,396	₱-	₱-	₱30,578,396
Trade and other receivables	-	184,574,151	-	184,574,151
Investment in debt security	-	-	2,041,795	2,041,795
Refundable deposits	-	4,350,801	6,642,097	10,992,898
	30,578,396	188,924,952	8,683,892	228,187,240
Financial Assets at FVOCI	-	-	21,209,285	21,209,285
Total	30,578,396	188,924,952	29,893,177	249,396,525
Financial Liabilities:				
Account payables and accrued expenses	-	304,113,456	123,438,803	427,552,259
Lease liability	-	25,452,455	49,633,157	75,085,612
Due to related parties	-	58,860,981	-	58,860,981
Total	-	388,426,892	173,071,960	561,498,852
Net Position	₱30,578,396	(₱199,501,940)	(₱143,178,783)	(₱312,102,327)

	2019			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets at amortized cost				
Cash excluding cash on hand	₱34,324,046	₱-	₱-	₱34,324,046
Trade and other receivables	-	160,404,441	-	160,404,441
Investment in debt security	-	-	2,000,000	2,000,000
Refundable deposits	-	4,400,801	4,550,415	8,951,216
	34,324,046	164,805,242	6,550,415	205,679,704
Financial Assets at FVOCI	-	-	22,646,285	22,646,285
Total	34,324,046	164,805,242	29,196,700	228,325,989

Financial Liabilities				
Account payables and accrued expenses	-	284,861,669	123,438,803	408,300,472
Lease liability	-	-	-	-
Due to related parties	-	58,259,212	-	58,259,212
Total	-	343,120,881	123,438,803	466,559,684
Net Position	₱34,324,046	(₱178,315,639)	(₱94,242,103)	(₱238,233,695)

7. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the ability of the entities in the Group to continue as a going concern and maximize shareholder value by maintaining the appropriate capital structure that supports the business objective of the entities. The Board of Directors of the Group's entities has overall responsibility for monitoring capital in proportion to risk. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions, by issuing new shares and making adjustments on payments to related parties, existing debts and dividends to shareholders.

The Group is not subject to externally imposed capital requirements.

8. FINANCIAL ASSETS AND LIABILITIES

The following table summarizes the carrying values of the Groups financial assets and liabilities as of September 30:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets at amortized cost				
Cash excluding cash on hand	₱30,578,396	₱30,578,396	₱34,498,694	₱34,498,694
Trade and other receivables	184,574,151	184,574,151	160,404,441	160,404,441
Investment in debt security	2,041,795	2,041,795	2,000,000	2,000,000
Refundable deposits	10,992,898	10,992,898	8,951,216	8,951,216
Subtotal	228,187,240	228,187,240	205,854,351	205,854,351
Financial Assets at FVOCI	21,209,285	21,209,285	22,646,285	22,646,285
Total	249,396,525	249,396,525	228,500,636	228,500,636
Financial Liabilities				
Accounts payable and Accrued expense	427,552,259	427,552,259	284,861,669	284,861,669
Lease Liability	75,085,612	75,085,612	-	-
Due to related parties	58,860,981	58,860,981	58,259,912	58,259,912
Total	₱561,498,852	₱561,498,852	₱343,121,581	₱343,121,581

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current financial assets and liabilities

Due to the short-term nature of the transactions, the carrying values of cash, receivables, refundable deposits, accounts payable and accrued expenses, due to related parties and current portion of long-term debt approximate their fair values.

Equity investments

The fair values of publicly traded instruments and similar investments are based on quoted bid prices. Unquoted AFS equity securities are carried at cost, subject to impairment.

Debt investment

The carrying value of debt investment approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

Long-term debt

The carrying value of the noncurrent portion of long-term debt approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table shows the Group's financial assets and financial liabilities carried at fair value:

	2020		2019	
	Level 1	Level 3	Level 1	Level 3
Financial assets at amortized cost				
Cash	₱30,784,396	₱-	₱34,498,694	₱-
Trade and other receivables, net	-	184,574,151	-	160,404,441
Debt investments	2,041,795	-	2,000,000.00	-
Refundable deposits	-	10,992,898	-	8,951,217
Subtotal	32,826,191	195,567,049	36,498,694	169,355,658
Financial assets at FVOCI	21,209,285	-	22,646,285	0
Total	54,035,476	195,567,049	59,144,979	169,355,658
Financial liabilities				
Accounts payable and accrued expenses	-	427,552,259	-	284,861,669
Lease liability	-	75,085,612	-	-
Due to related parties	-	58,860,981	-	58,259,912
Total	₱-	₱561,498,852	₱-	₱343,121,581

As of September 30, 2020 and 2019, the Group does not have financial assets and financial liabilities valued using Level 2 inputs. Also, there were no transfers made between each level.

9. CASH

Details of cash are as follows as of September 30:

	2020	2019
Cash on hand	₱206,000	₱174,648
Cash in banks	30,578,396	34,324,046
	₱30,784,396	₱34,498,694

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱128,927 and ₱19,489 for the quarter September 30, 2020 and 2019, respectively.

10. TRADE AND OTHER RECEIVABLES

Details of receivables are as follows as of September 30:

	2020	2019
Notes receivables	₱143,865,021	₱143,865,021
Trade receivables	143,965,409	118,937,142
Due from affiliates (Note 25)	5,308,916	5,308,907
Others receivables	40,439,521	40,423,357
	333,578,866	308,534,427

Less allowance for probable loss	(149,004,715)	(148,129,986)
	₱184,574,151	₱160,404,441

Trade receivables are non-interest bearing and are generally on 30 to 60 days' credit terms.

The notes receivable bear interest at 3.5% per annum and are payable in 365 days on demand, subject to renewal upon mutual consent. Notes receivable are considered impaired and covered with allowance for probable losses.

Due from related parties are noninterest bearing and have no fixed repayment terms.

Other receivables pertain to advances subject for liquidation.

The movements in the allowance for probable losses follow:

	2020	2019
Balance at beginning of year	₱148,129,986	₱146,617,144
Reversal of allowance	-	-
Provision for the year	874,729	1,570,666
Write-off during the year	-	(57,824.00)
Balance at end of year	₱149,004,715	₱148,129,986

11. OTHER CURRENT ASSETS, NET

Details are as follows as of September 30:

	2020	2019
Creditable withholding taxes	₱9,300,295	₱9,300,295
Input taxes	8,408,996	7,077,212
Refundable deposits	4,350,801	4,400,801
Prepayments and others	17,489,070	14,110,828
	39,549,162	34,889,136
Less: allowance for probable losses	12,886,123	12,886,123
	₱26,663,039	₱22,003,013

12. ASSET HELD FOR SALE

Asset held for sale amounting to ₱363,931,556 and ₱366,881,451 as of September 30, 2020 and 2019, respectively, which constitutes 50.40% and 58.53% of the Group's total assets as of September 30, 2020 and 2019, respectively, represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, management decided to discontinue operations and ceased operating as a going concern. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at ₱900 million, which is the estimated recoverable amount from the sale of the investment. The realization of the Group's advances to Polymax and the settlement of Polymax's past due liabilities related to the asset for sale, for which the Group is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA, which is for sale. In this regard and to ensure the recoverability of the Group's advances to Polymax, the Group's major stockholders issued a letter of comfort in favor of the Group on September 30, 2014.

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Group's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Group.

On December 16 and 22, 2015, the Group was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

13. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of September 30, the account consists of:

	2020	2019
At acquisition cost	₱16,270,963	₱16,270,963
Cumulative fair value gain (loss) – in equity	4,938,322	6,375,322
Total	₱21,209,285	₱22,646,285

The investment in securities consists of investment in shares of stock of a publicly listed Group whose fair value is based on published prices on Philippine Stock Exchange; and unquoted equity investment carried at cost.

The net unrealized gain on equity instruments financial assets are deferred and presented separately as fair value reserve under the equity section of the consolidated financial position.

14. INVESTMENT IN DEBT SECURITY

During 2019, the Company invested with Philippine Depository and Trust Corporation (PDTC) through Security Bank. The bond has a face value of 2,000,000 with an interest rate of 4.50% and will mature on June 28, 2021.

Total interest income earned of the investments amounted to ₱38,632 on December 31, 2019.

Carrying amount of the bond investment on September 30, 2020 amounted to ₱2,038,632. Management considers the carrying amount recognized in the statements of financial position to be reasonable approximation of their fair values.

The Company has no debt investments in 2018.

15. PROPERTY AND EQUIPMENT, NET

As of September 30, this account consists of the following:

September 30, 2020	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	IT Infrastructures	Right-Of-Use Asset	Total
Cost						
Balances at beginning of year	₱2,622,377	₱27,759,760	₱17,136,887	₱296,141	₱106,304,776	₱154,119,941
Additions/(Disposals)/ Adjustments	156,181	141,036	689,267	-	-	986,484
Balances at end of year	2,778,558	27,900,796	17,826,154	296,141	106,304,776	155,106,425
Accumulated Depreciation						
Balances at beginning of year	2,124,403	22,450,810	15,042,518	119,811	32,798,271	72,535,813
Depreciation	-	-	-	-	-	-
Additions/(Disposals)/ Adjustments	308,908	1,354,424	865,923	52,899	-	2,582,154
Ending Balance	2,433,311	23,805,234	15,908,441	172,710	32,798,271	75,117,967
Net book value	₱345,246	₱4,095,562	₱1,917,713	₱123,431	₱73,506,505	₱79,988,458

September 30, 2019	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	IT Infrastructures	Right-Of-Use Asset	Total
Cost						
Balances at beginning of year	₱2,368,234	₱27,637,455	₱15,852,250	₱-	₱-	₱45,857,939
Additions/(Disposals)/ Adjustments	159,428	(137,806)	937,715	-	-	959,338
Balances at end of year	2,527,662	27,499,649	16,789,965	-	-	46,817,277
Accumulated Depreciation						
Balances at beginning of year	1,811,245	23,038,314	14,287,540	-	-	39,137,099
Depreciation	138,551	897,668	303,300	-	-	1,339,519

Additions/(Disposals)/Adjustments	-	(2,529,331)	-	-	-	(2,529,331)
Ending Balance	1,949,796	21,406,651	14,590,840	-	-	37,947,287
Net book value	₱577,867	₱6,092,998	₱2,199,125	₱-	₱-	₱8,869,990

For both quarters 2020 and 2019, the Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

In 2019, the Company sold transportation equipment with a total net book value of ₱89,898 for net proceeds of ₱387,200, which resulted to a net gain on disposal amounting to ₱297,302. There are no disposals in 2018.

16. OTHER NONCURRENT ASSETS

As of September 30, this account composed of the following:

	2020	2019
Refundable deposits – non-current portion	₱6,642,097	₱4,550,415
Intangible assets	773,603	659,322
Total	₱7,415,700	₱5,209,737

Intangible assets pertain to non-exclusive software license costs for use in MCLSI's warehouse management system.

The carrying amount of intangible assets as of September 30, 2020 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Cost:			
Short messaging	₱135,135	₱-	₱135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,825,646	-	1,825,646
Payroll System	-	651,786	651,786
Total	4,295,691	651,786	4,947,477
Accumulated Amortization:			
Short messaging	135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,290,380	341,028	1,631,408
Payroll System	-	72,421	72,421
Total	3,760,425	413,449	4,173,874
Carrying amount	₱535,266	₱238,337	₱773,603

The carrying amount of intangible assets as of September 30, 2019 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Cost:			
Short messaging	₱135,135	₱-	₱135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,825,646	-	1,825,646
Total	4,295,691	-	4,295,691
Accumulated Amortization:			
Short messaging	135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	794,155	372,169	1,166,324
Total	3,264,200	372,169	3,636,369
Carrying amount	₱1,031,491	(₱372,169)	₱659,322

Intangible assets which have been fully amortized were due to MCLSI's management assessment that these will no longer provide a future economic benefit to the Company.

In 2016, the management decided to fully amortize the Caerus accounting system as the intangible assets is no longer functional.

17. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Details of this account are shown below as of September 30:

	2020	2019
Current Portion		
Trade Payables	₱88,306,287	₱71,797,831
Accrued Expenses	178,160,535	175,415,039
Other current liabilities	37,646,634	37,648,799
Total	304,113,456	284,861,669
Non-Current Portion		
Accrued Expenses	123,438,803	123,438,803
Total	₱427,552,259	₱408,300,472

Trade payables are noninterest bearing and have credit terms of 30 to 60 days.

Accrued expenses include provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

Provisions relate to pending claims jointly and severally against the Group and Polymax and pending claims and tax assessment solely against the Group. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the related claims and tax assessments.

During 2018, the Group reclassified to non-current portion the accruals made which pertains to management fee, reserve for contingency BIR and accrued interest-Unimark amounting to ₱39,685,406, ₱83,753,397 and ₱52,876,888, respectively. These are not expected to be settled within one year or the Group's operating cycle, whichever is longer.

Other liabilities mainly pertain to payable to government agencies.

18. LEASE LIABILITY

Lease liability relates to liability recognized in relation to the adoption of PFRS 16. As of September 30, 2020 and 2019, the Company's determined incremental rate used is 5%. No lease liability was recognized in 2019 and 2018. This account consists of the following:

	2019	2019
Lease liability		
Current	₱25,452,454	₱-
Noncurrent	49,633,157	-
Total	₱75,085,611	₱-

19. DUE TO RELATED PARTIES

Details of this account are as follows as of September 30:

	2020	2019
Acesite Phils Hotel Corp	₱5,627,202	₱5,627,202
The Wellex Group, Inc	52,876,888	52,876,188
Others	356,891	(244,177)
Total	₱58,860,981	₱58,259,212

The amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms.

20. SHARE CAPITAL

The Group's capital stock as of September 30 consists of the following common shares:

	2020	2019
Class "A" – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	₱720,000,000	₱720,000,000
Issued and outstanding – 183,673,470 shares with par value of ₱1	183,673,470	183,673,470
Number of equity holders	629	629
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	480,000,000	480,000,000
Issued and outstanding – 122,448,979 shares with par value of ₱1	122,448,979	122,448,979
Number of equity holders	404	404
Additional Paid-in Capital	₱3,571,923	₱3,571,923

The two classes of common shares are identical in all respects, except that Class "A" shares are restricted to Philippine nationals and the total number of Class "B" shares is limited to two-thirds of the total outstanding Class "A" shares.

On July 25, 2003, the Group's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase did not push through because of dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After final settlement of the dispute, the Group's management has decided to pursue the said increase in authorized capital stock of the Group.

A regular meeting of the stockholders of Metro Alliance Holdings & Equities Corp. was held on November 16, 2018 for the purpose of, among other purposes, securing the consent of the stockholders for the amendment of the Articles of Incorporation, specifically, Article ninth to declassify common shares class A and B shares resulting to one common shares and also Article sixth to increase the number of directors from seven to nine. These amendments were approved by the stockholders and/or their represented proxy during said the meeting and was filed to SEC last May 8, 2019. As of September 30, 2020, the amendment is pending for SEC approval.

21. COST OF SERVICES

Details of this account are shown below for the 3rd quarter September 30:

	2020	2019
Personnel costs	₱24,117,505	₱25,008,376
Rent and utilities	16,268,742	14,492,414
Transportation and Travel	3,837,381	23,574,555
Outside services	4,666,369	7,238,880
Security services	2,296,829	1,734,091
Communication and office supplies	103,153	104,163
Depreciation and amortization	-	-
Repairs and maintenance	436,785	248,607

Others	243,689	2,246,362
	₱51,970,455	₱74,647,449

22. GENERAL AND ADMINISTRATIVE EXPENSE

Details of this account are shown below for the 3rd quarter September 30:

	2020	2019
Personnel costs	₱2,720,788	₱4,704,788
Communication and office supplies	1,181,913	582,362
Taxes and Licenses	532,185	342,928
Security Services	-	-
Professional Fees	637,796	372,839
Rent and Utilities	276,450	337,137
Entertainment	386,867	85,743
Amortization of Intangible Assets	33,458	124,056
Insurance	61,033	7,344
Depreciation	822,053	665,962
Transportation and Travel	169,464	20,090
Others	(8,330)	819,584
	₱6,813,678	₱8,062,832

Other expenses include foreign exchange losses, outside services fee and miscellaneous expenses.

23. OTHER INCOME (EXPENSES), NET

Details of this account are shown below for the 3rd quarter September 30:

	2020	2019
Interest income (Note 9)	₱128,927	₱91,947
Other income	36,000	312,090
Miscellaneous	-	-
Net	₱164,927	₱404,036

24. BASIC INCOME (LOSS) PER SHARE

Details of this account are shown below for the 3rd quarter September 30:

Particulars	2020	2019
Net income/(loss) attributable to equity holders of the Parent Company	₱1,253,749	₱7,308,328
Weighted average number of common shares	306,122,449	306,122,449
Basic income per share	₱0.0041	₱0.0239

25. RELATED PARTY TRANSACTIONS

a. Due from/to related parties

The amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Parent Company to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms.

b. Payables for shared operating expenses

On November 30, 2011, Gulf Agency Company Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Company Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2011 will be honored and paid, should the latter's shares be sold to other persons.

Compensation of Key Management Personnel

Key management personnel are those person having authority and responsibility for planning and directing and controlling the activities of the Group, directly or indirectly.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective group's retirement plan.

The related amounts applicable to the Company's transactions with related parties are as follows:

Terms & Conditions		Transactions		Outstanding Balance	
		2020	2019	2020	2019
Due from Related Parties					
The Wellex Group, Inc	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	₱-	₱-	₱5,258,609	₱5,258,610
Others	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-		50,307	50,297
Total (Note 11)		-	-	5,308,916	5,308,907
Advances (Asset held for sale)					
Polymax (Note 13)	Represents 20% share investment in NPCA	(2,254,272)	(45,060,227)	363,931,556	366,881,451
Due to related parties					
Acesite (Phils) Hotel Corp	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	5,627,202	5,627,202
Wellex Mining Corp	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	-	-
The Wellex Group, Inc	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	52,876,888	52,876,188
Others	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	297,366	(6,621,613)	356,891	(244,177)
Total (Note 17)		₱297,366	(₱6,621,613)	₱58,860,981	₱58,259,213

26. LEASE AGREEMENTS

As of September 30, 2020 and 2019, the Parent Company and MCLSI, operating subsidiary, has several agreements with various entities for lease of commercial space and offices.

Office space

- The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35th floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2014 until April 30, 2016 and shall be renewable for another period of two (2) years with adjustments in the rental rates as agreed by the parties. Monthly rental for the leased premises amounts to ₱21,000, exclusive of VAT. The contract was renewed thrice and valid until April 30, 2022.

- b) During the year, MCLSI renewed the lease contract for its office space. The term of the contract is (1) year commenced in February 1, 2018, renewable subject to the terms and conditions as may be mutually agreed upon. Monthly rental payments amounted to ₱71,150. This was renewed thrice in 2019, 2020 and 2021.

Warehouses

- c) MCLSI entered in lease contract for a warehouse and office building located at Warehouse #6 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term commenced on April 14, 2014. The contract was renewed thrice and valid until April 2022. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- d) MCLSI entered into new lease contracts for a warehouse, and parking and open space located at Warehouse 3, 21st St Golden Mile Business Park, Brgy, Maduya Carmona, Cavite. The lease term commenced on November 3, 2015 until November 2, 2018. The contract further renewed until November 2, 2021 with a monthly rental fees of ₱326,340.00 with 5% escalation starting November 3, 2019. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- e) MCLSI entered into another lease contract for warehouse, and parking and open space located at Warehouse 4, 21st Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term commenced on October 12, 2015. The contract further renewed until October 11, 2021 with a monthly rental fees of ₱345,555.00 with 5% escalation starting October 12, 2019. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- f) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Warehouse 2, 21st St Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term commenced on October 16, 2016. The contract further renewed until October 15, 2024 with a monthly rental fees of ₱393,000.00 with 3% escalation every year starting October 16, 2020. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.
- g) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Warehouse 1, 21st St. Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,877sqm. The lease term commenced on November 7, 2016 to November 6, 2019 with monthly rental payments of ₱321,342.00. A 5% escalation will start on the third year. The contract further renewed until November 6, 2024 with a monthly rental fees of ₱375,400.00 with 3% escalation every year starting November 7, 2020. Rental deposits paid is equivalent to three (3) months rental following to the terms and conditions.
- h) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Block 8 Lot 10, Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 2,522 sqm and open area of 1,045 sqm. The lease term commenced on March 1, 2016 to February 29, 2019. The contract further renewed until February 28, 2022 with a monthly rental fees of ₱442,255.00 with 5% escalation starting March 1, 2021. Rental deposits paid is equivalent to two (2) months rental following the terms and conditions.
- i) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Elisco Street, Brgy. Kalawan, Pasig City, with a covered area of 2,460 sqm and open area of 1,196 sqm. The lease term commenced on November 26, 2016 to November 25, 2019 with monthly rental payments of ₱511,460 with an escalation of 7% starting on the second year. Upon execution of the contract, the Company had paid three months' advance rental amounted to ₱1,534,380 and another two months' security deposit amounted to ₱956,000. The contract further renewed for a year until November 20, 2020 with a monthly rental fees of ₱601,988.41. Increase in Security deposits was paid following the increase of rentals.
- j) MCLSI entered into a new lease contract for a warehouse at Pangutlan Road, Tayud, Consolacion, Cebu with a covered area of 450 sqm. The lease term commenced on November 1, 2018 to October 31, 2021 with monthly rental payments of ₱81,000.00 with an escalation of 5% starting on the second year. The Company had paid Security deposit amounted to ₱324,000 equivalent to four month rentals.
- k) MCLSI entered in lease contract for a warehouse and office building located at Warehouse #1 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term commenced on May 15, 2019 until May 14,

2021 with a monthly rental fees of ₱172,800.00. Rental deposits paid is equivalent to three (3) months rental following the terms and conditions.

27. LOGISTICS AGREEMENTS

MCLSI has agreements with principals to provide logistics operations services, specifically warehousing and managing delivery of the principals' products to their key accounts and sub-distributors nationwide. Under the terms of these agreements, the principals shall pay MCLSI the agreed monthly fees plus reimbursement of certain warehouse expenses.

28. OTHER MATTERS

(a) Metro Alliance vs. Commissioner of Internal Revenue

Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991

On July 5, 2002, the Group received a decision from the Court of Tax Appeals (CTA) denying the Group's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Group filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Group then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Group. The Group, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Group received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Group filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Group filed said appeal. On October 20, 2004, the Group received the resolution of the SC denying its Petition for Review for lack of reversible error. The Group filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Group's appeal and dismissed the Group's petition with finality.

On April 26, 2006, the Group filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue.

As of September 30, 2020, the Group has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the Group consolidated financial statements.

(b) Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18

Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages

On September 14, 2005, the Group (MAHEC) and Philippine Estate Corporation (PHES) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case stemmed from imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (TCT) Nos. T-355222, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PHES securing ₱280 million loan last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PHES failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PHES' TCT. On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PHES already presented witnesses. Next trial hearing was set on April 12, 2016 for

presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

The Group was able to get the formal trial started and on-going. The Group's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels' cross-examination resumed at trial hearing last April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

On February 21, 2019, the defense presented its second witness, Mr. Godofredo Gonzales, an appraiser of Philippine Trust Group. However, the cross-examination of the witness was reset to June 27, 2019.

On October 17, 2019, Philtrust submitted a Formal Offer of Evidence in Regional Trial Court.

As of September 30, 2020, the Group has not received any order of execution relative to this case.

- (c) MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513
Civil Action with Damages to Nullify the Foreclosure of Property

The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350 million loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated Group with the same RTC. In 2013, Group's legal counsel brought Zen Sen Realty Development Corporation as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Group's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Group's legal counsel questioned as defective, but the RTC ruled against the Group in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Group's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

Upon appeal thereof by both parties, the Court of Appeals rendered its Decision dated June 29, 2017, partly granting PVB's appeal, and declared that: (a) the legal interest of 12% per annum be applied to the principal amounts; and (b) that MAHEC, et al. remain liable to pay PVB the amount of ₱69.7 million as of November 2006. MAHEC, et al. filed their "Motion for Reconsideration" dated July 31, 2017. The Court of Appeals rendered its Amended Decision dated February 28, 2018, stating that the outstanding obligation of MAHEC, et al., if any, shall earn interest at 6% per annum from July 1, 2013 onwards, pursuant to Central Bank Circular No. 799. The Court of Appeals denied PVB's Motion for Reconsideration thereof in its Resolution dated July 2, 2018.

On August 24, 2018, MAHEC, et.al filed with the Supreme Court its "Petition for Review on Certiorari" dated August 22, 2018. This was consolidated with PVB's "Petition for Review" dated August 24, 2018, which was previously raffled to the Supreme Court's Third Division.

In G.R. No. 240495, Group received a copy of PVB's 'Comment/Opposition' dated October 30, 2019. On December 4, 2019, MAHEC, et al. filed "Motion to Admit Reply" with attached Reply, both dated November 28, 2019.

In G.R. No. 240513, MAHEC, et al. already "Comment (On the Petition for Review dated August 24, 2018)" dated August 30, 2019. To date, however, MAHEC, et al. are still waiting notice from the court, and have made a request for case status via electronic mail.

- (d) MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159 Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction

On August 1, 2019, the Company filed a case for Mismanagement and Damages. This case stemmed from the gross mismanagement and gross negligence attributable to the NPC Group, in conspiracy with its appointed NPCA directors and management officers.

A joint venture was entered into by Metro Group and NPC Group, sometime in 2003 for the acquisition of the petrochemical plant. However, the joint venture did not make any money from its inception and during all of the 14 years of operation. NPCA, the joint venture company, did not record any net income from the time it was incorporated in 2005 until the present time, notwithstanding the supposed advantage of the parent and affiliates of the NPC Group having ready source of raw materials. The unexplained continuing inaction and nonchalance of the NPCA Management in the face of the mounting losses coupled with the unfettered control of the NPC Group on the operations of the Plant points to gross mismanagement amounting to criminal or reckless imprudence, or at the very least, civil negligence.

On August 13, 2019, the application for the issuance of a Temporary Restraining Order (TRO) filed by the Metro Group against the NPC Group was set for hearing. In support of their application, Metro Group presented its lone witness Mr. Renato Magadia.

On September 18, 2019, the plaintiffs filed an Urgent Omnibus Motion for Production of Documents and Request to Reset Preliminary Injunction Hearing. Thus, the preliminary injunction hearing set on September 26 was cancelled and reset to November 14, 2019. The defendants filed a Motion to Refer Dispute to Arbitration on October 15, 2019 due to the Stockholder's Agreement dated December 16, 2005. On the other hand, plaintiff's comment stated that the Settlement Agreement dated August 27, 2013 superseded the previous Stockholder's Agreement.

In November 11, 2019, Elma M. Rafallo-Lingan, the presiding judge, denied the Motion for Production/ Copying Documents and directed the defendant NPCA to furnish Annual Audited Financial Statements for the last ten years within 10 days from the date of said order.

Further, the defendants filed a Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff. Renato B. Magadia, one of the plaintiffs in this case, died on October 18, 2019. Mr. Magadia joined in the action under the reasoning that he is a stockholder of NPCAC.

In February 3, 2020, Elma M. Rafallo-Lingan, Presiding Judge, ordered the Motion for Referral for Arbitration as denied. Meanwhile, the Motion *Ad Cautelam* to drop Renato B. Magadia as Plaintiff was granted.

The Company received notice from the Permanent Court of Arbitration at the Hague that arbitration proceedings in Geneva, Switzerland have been instituted by NPC International Limited versus the Company et al. This counter suit prays for payment by the respondent of costs and damages that the claimant has incurred for the preservation of the Bataan polyethylene plant from 2018 to the date of the award. The Company filed its reply on September 16, 2020, questioning the propriety of the arbitration proceedings. The Company maintains that RTC Pasig Branch 159 has taken jurisdiction over the case and that the arbitration case filed at the Hague constitutes forum shopping.

As at the report date, the case is pending Injunction hearing before the Court but case also been set for Pre-Trial on December 7, 2020.

- e) There are also other pending minor legal cases against the Parent Company. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.
AND SUBSIDIARIES
APPENDIX A – FINANCIAL SOUNDNESS**

	Sep-30 2020	Sep-30 2019
Profitability ratios:		
Return on assets	0.38%	2.36%
Return on equity	1.77%	9.59%
Net profit margin	4.42%	15.15%
 Solvency and liquidity ratios:		
Current ratio	62.31%	63.22%
Debt to equity ratio	372.65%	307.14%
Quick Ratio	55.44%	57.28%
 Financial leverage ratio:		
Asset to equity ratio	472.65%	407.14%
Debt to asset ratio	78.84%	75.44%
Interest rate coverage ratio	NIL	NIL

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**RECEIVABLES AGING SUMMARY**

As of September, 2020

	Current	0 - 30	31 - 60	61 - 90	91 - 120	121+	Total
Notes receivable	₱-	₱-	₱-	₱-	₱-	₱143,865,021	₱ 143,865,021
Trade receivable	30,424,591	18,749,388	24,419,677	4,183,731	14,133,631	52,054,390	143,965,408
Due from affiliates	-	-	-	-	-	5,308,916	5,308,916
Others	-	-	-	-	-	40,439,521	40,439,521
Subtotal	30,424,591	18,749,388	24,419,677	4,183,731	14,133,631	241,667,849	333,578,867
Allowance for doubtful accounts	-	-	-	-	-	-	(149,004,715)
	₱30,424,591	₱18,749,388	₱24,419,677	₱4,183,731	₱14,133,631	₱241,667,849	₱184,574,152

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on _____.

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig.

Registrant: **KENNETH T. GATCHALIAN**
Title: **President**

Signature: _____

Registrant: **ATTY. NESTOR S. ROMULO**
Title: **Corporate Secretary**

Signature: _____

Registrant: **JAMES B. PALIT-ANG**
Title: **Corporate Treasurer**

Signature: _____

Dated _____

SUBSCRIBED AND SWORN to before me this NOV 13 2020 day of _____, 2020 in QUEZON CITY affiant (s) exhibiting to me their Tax Identification No. issued by the Bureau of Internal Revenue, as follows:

AFFIANTS

1. Kenneth T. Gatchalian
2. Atty. Nestor S. Romulo
3. James B. Palit-Ang

Tax Identification No.

167-406-526-000
107-200-723-000
151-671-333-000

Doc. No. 436
Page No. 89
Book No. 22-A
Series of 2020

ATTY. JOSE FLOR P. CRISOLOGO
Notary Public
Until December 31, 2021
PTR No. 8270054-C-01-02-2020
IBP Lifetime No. LRN-03688/05-2004
MCLE NO. VI-0017262 4-14-2022
Adm. Matter No. NP-023(2020-2021)
Roll No. 49462